

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**

**Financial Statements for the  
Year Ended June 30, 2014 and  
Independent Auditor's Report**

# **NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**

## **Financial Statements for the Year Ended June 30, 2014 and Independent Auditor's Report**

### **BOARD MEMBERS (2014)**

Constance M. Adams, Chairperson

Alan Clapp, Vice Chairperson

Robin Maycock, Secretary-Treasurer

Fred Burt

Reid Hobbs

Edwin Stott

Dr. Michael Vepraskas

Sarah Wheeler - Ex Officio

### **ADMINISTRATOR (2014)**

Elaine Christian, Administrative Manager

### **LEGAL COUNSEL**

North Carolina Department of Justice

# **NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**

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# **NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of the Board’s financial report represents Management’s analysis of the Board’s financial performance during the year ended June 30, 2014. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2014, the Board’s net position increased by \$2,513, or 4.3%, due primarily to a recurrence of revenues exceeding expenses.

During 2014, the operating revenues of the Board increased by \$1,735, or 9.8%, due primarily to an increase in renewals revenue.

During 2014, the non-operating revenues of the Board increased by \$2, or 1.2%, due to an increase in cash on hand.

During 2014, the operating expenses of the Board increased by \$7,234, or 74.1%, due primarily to an increase in contractual management services expense and auditing fees.

### **Overview of the Financial Statements**

This financial report consists of two sections: Management’s Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by Governmental Accounting Standards Board (GASB) Statement No. 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

### **Basic Financial Statements**

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Board’s assets changed as a result of its operations.

The Statement of Cash Flows presents information on how the Board’s cash changed as a result of its financial activities.

# **NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Condensed Financial Information**

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended June 30, 2014	Current Year as of and for the year ended June 30, 2013 (as restated)
Current assets	73,123	69,110
Capital assets	0	0
Total assets	<u>\$ 73,123</u>	<u>\$ 69,110</u>
Current liabilities	<u>\$ 11,675</u>	<u>\$ 10,175</u>
Total liabilities	<u>\$ 11,675</u>	<u>\$ 10,175</u>
Investment in capital assets	0	0
Unrestricted net position	<u>\$ 61,448</u>	<u>\$ 58,935</u>
Total net position	<u>\$ 61,448</u>	<u>\$ 58,935</u>
Operating revenues	\$ 19,350	\$ 17,615
Operating expenses	17,002	9,768
Operating income	<u>2,348</u>	<u>7,847</u>
Non-operating revenues	165	163
Change in net position	<u>\$ 2,513</u>	<u>\$ 8,010</u>

### **Events Affecting Future Operations**

The Board has indicated it has no significant events affecting future operations which are reportable pursuant to GASB 34.

### **Contacting the Board's Management**

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina Board for Licensing of Soil Scientists, P.O. Box 41368, Raleigh, NC 27629.

***Shelton L. Hawley, CPA, PA***  
**Certified Public Accountant**

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P.O. 1545  
Angier, North Carolina 27501-1545

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Facsimile: (919) 639-3102

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Board for Licensing of Soil Scientists  
Raleigh, North Carolina

***Report on the Financial Statements***

I have audited the accompanying financial statements and the related notes to the financial statements as listed in the table of contents of the North Carolina Board for Licensing of Soil Scientists (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of June 30, 2014.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board for Licensing of Soil Scientists as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

December 12, 2014

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>June 30, 2014</b>
	<b>Proprietary- Enterprise Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 35,552
Cash in State Treasurer (Note 2)	37,571
Total current assets	73,123
Capital assets (Note 1):	
Office equipment	0
Total capital assets - net of depreciation	0
<b>TOTAL ASSETS</b>	<b>\$ 73,123</b>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Unearned revenue (Note 3)	\$ 11,675
Total current liabilities	11,675
<b>TOTAL LIABILITIES</b>	<b>11,675</b>
<b>NET POSITION (NOTE 4 AND 9)</b>	
Investment in capital assets	0
Unrestricted net position	61,448
<b>TOTAL NET POSITION</b>	<b>61,448</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 73,123</b>

See notes to financial statements.



**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

	<u>2014</u>
	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:	
Revenue from fees (and other operating income)	\$ 19,350
Total operating revenues	\$ 19,350
OPERATING EXPENSES:	
Contractual management services (including staff travel) (Note 5)	\$ 11,400
Board member expenses (including transporting records)	180
Storage expenses (board records)	557
Exam expenses	700
Printing	118
Postage	239
Office expense (including transporting records)	135
Seals	203
Legal, auditing and accounting fees	3,131
Website and internet expenses	269
Bank service charges	70
Total operating expenses	\$ 17,002
Operating income	\$ 2,348
NON-OPERATING REVENUES (EXPENSES):	
Interest income	165
Total non-operating revenues	\$ 165
Change in net position	\$ 2,513
Net position - beginning of year (Note 9)	58,935
Net position - end of year	\$ 61,448

See notes to financial statements.

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**

	<b>2014</b>
	<b>Proprietary- Enterprise Fund</b>
Cash flows from operating activities:	
Cash received from fees	\$ 20,850
Cash payments for operating expenses	(17,002)
Net cash provided by operating activities	\$ 3,848
Cash flows from investing activities:	
Interest earned	\$ 165
Net cash provided by investing activities	\$ 165
Net increase (decrease) in cash	\$ 4,013
Cash - beginning of year	69,110
Cash - end of year	\$ 73,123
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income (loss)	\$ 2,348
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Changes in assets and liabilities:	
Unearned revenue	\$ 1,500
Total adjustments	\$ 1,500
Net cash provided by operating activities	\$ 3,848

See notes to financial statements.

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization**

The North Carolina Board for Licensing of Soil Scientists (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 89F of the North Carolina General Statutes. The Board is composed of seven voting members who are appointed by the Governor and the General Assembly of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by soil scientists.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Basis of Accounting**

In accordance with *Statement of Governmental Accounting Standards 34 (as amended, if applicable)*, the Board herewith presents a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statement of Revenues, Expenses, and Changes in Net Position demonstrates the degree to which the direct expenses of the Board are offset by examination and license fees.

The financial statements report all activities of the North Carolina Board for Licensing of Soil Scientists using the economic resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable, regardless of the timing of cash flows.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

This classification includes undeposited receipts, petty cash, checking accounts and certain time deposits (if any) held by the Board.

**Cash in State Treasurer**

This classification consists of deposits with the State Treasurer of North Carolina. Because these funds are immediately available for expenditure they are considered a cash equivalent.

**Fair Value of Financial Instruments**

The carrying amounts of the Board's financial instruments approximate their fair value.

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Capital Assets**

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$200 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years. A summary follows:

	Cost 07-01-13	Acquisitions	Disposals	Cost 06-30-14	Accumulated Depreciation	Net Amount
Office equipment	\$ 2,449	\$ -	\$ -	\$ 2,449	\$ 2,449	\$ 0
	<u>\$ 2,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,449</u>	<u>\$ 2,449</u>	<u>\$ 0</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. No depreciation expense was recorded for the fiscal year ended June 30, 2014.

**Income Taxes**

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits

**Cash in Bank(s)**

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for deposits.

At June 30, 2014, the Board had deposits on hand with a financial institution which had a carrying amount of \$35,552 (including undeposited receipts) and a bank balance of \$29,697, which was covered by federal depository insurance.

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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Note 2 - Deposits (Continued)

**Cash in State Treasurer Short Term Investment Fund (STIF)**

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily deposits to the North Carolina Short Term Investment Fund (STIF). Disbursements, if any, are through the issuance of warrants by the Board. Investments of the Short Term Investment Fund are limited to those authorized for the State's General Fund, generally high quality money market investments and US Government/agency securities. FDIC insurance and deposit collateralization rules do not apply.

Deposit and investments risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of the State Controller's internet home page, [www.ncosc.net](http://www.ncosc.net), and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2014, the Board had deposits on hand with the North Carolina Department of State Treasurer which had a carrying amount and a bank balance of \$37,571.

Note 3 - Unearned Revenue

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one fiscal year. License renewal fees received in the latter part of the fiscal year are deferred and recognized as revenue over the one year period to which they relate.

Note 4 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no restricted net position at year end.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

Note 5 - Contractual Management Services

The Board does not have any employees. The Board contracts with a management service to provide services for the Board. The contract includes all services related to the process of licensure application and renewal and various other secretarial duties. The Board also reimburses the management service for printing, postage, copying and miscellaneous office expenses. Payments to the management service totaled \$11,639 during the fiscal year ended June 30, 2014.

**NORTH CAROLINA BOARD FOR LICENSING OF SOIL SCIENTISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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Note 6 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in certain state-administered risk programs and self retention of certain risks. The Board has not purchased any commercial insurance coverage.

Note 7 - Contingencies

***Disciplinary Hearings***

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

Note 8 - Subsequent Events

Subsequent events have been evaluated through December 12, 2014, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 9 - Restatement of Net Position

The Board has restated its net position for the year ended June 30, 2013 to remove overstated accounts payable (legal fees) in the amount of \$1,571. This resulted in an increase in revenues in excess of expenses in the amount of 1,571 for the year ended June 30, 2013.

In connection with these changes, the ending net position (for 2013) has been restated as follows:

Net Position at June 30, 2013, as previously reported	\$	57,364
Adjustment for change in accounts payable		<u>1,571</u>
Net Position at June 30, 2013, as restated	\$	<u><u>58,935</u></u>

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This audit required 30 audit hours at a cost of \$3,000.